

Message Text

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ACTION EUR-12

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TAGS: EFIN, GR
SUBJECT: NEW TAX INCREASES TO HELP PAY FOR EARTHQUAKE DAMAGES IN
THESSALONIKI

REF: A) ATHENS 7027, B) 77 ATHENS A-123

1. THE GOVERNMENT ANNOUNCED ANOTHER INSTALLEMNT IN THE
RECENT SPATE OF "NEW ECONOMIC MEASURES" LAST WEEK, THIS
TIME A PACKAGE OF INCREASED INCOME, GASOLINE AND AUTOMOBILE
CIRCULATION TAXES TO HELP MEET THE ADDITIONAL BUDGETARY BURDEN
OF THE THESSALONIKI EARTHQUAKE, NOW ESTIMATED AT 9.75
BILLION DRACHMAS (\$260 MILLION). THESE NEW TAXES, SOME
ONE-TIME SURCHARGES AND SOME PERMANENT INCREASES, ARE
EXPECTED TO YIELD 8 BILLION DRACHMAS (\$215 MILLION). THE
DRAFT BILL TO IMPLEMENT THE TAXES IS BEING DEBATED IN
PARLIAMENT THIS WEEK.

2. IN DETAIL, THE NEW TAXES ARE AS FOLLOWS: A) A ONE-TIME
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10 PERCENT SURCHARGE ON PERSONAL INCOME TAXES EXCEEDING
10,000 DRACHMAS EXCLUDING EARTHQUAKE-AFFECTED AREAS;
B) A ONE-TIME TAX CONTRIBUTION FROM COMPANIES, EXCLUDING
EARTHQUAKE-AFFECTED AREAS, ON INCOME OR PROFITS OF FROM 10 TO 15
PERCENT, TO BE PAID OVER A PERIOD OF SIX MONTHS BEGINNING IN
OCTOBER (THE GOG EXPECTS A) AND B) TO YIELD 3.5 BILLION
DRACHMAS); C) AN INCREASE IN GASOLINE TAXES OF TWO

DRACHMAS PER LITER AS OF AUGUST 25 (REF B), BRINGING THE PRICE FOR REGULAR GAS TO AROUND \$1.99 PER GALLON AND FOR PREMIUM TO ABOUT \$2.25 (\$1-37 DRACHMAS); D) AN INCREASE IN THE AUTOMOBILE CIRCULATION FEE AS OF JANUARY 1, 1979, OF 50-250 DRACHMAS PER MONTH, DEPENDING ON HORSEPOWER, YIELDING APPROXIMATELY 500 MILLION DRACHMAS ANNUALLY. 3. THE TAX INCREASES, AS MIGHT BE EXPECTED, HAVE BEEN STRONGLY CRITICIZED PARTICULARLY BY THOSE WHO WILL PAY THE HEAVIEST SHARE. THE MINISTRY OF FINANCE ESTIMATES THAT 70 PERCENT OF THE 3.5 BILLION DRACHMAS IN ONE-TIME SURCHARGES WILL BE PAID BY GREEK AND FOREIGN CORPORATIONS AND, UNDERSTANDABLY, TRADE AND INDUSTRIAL ASSOCIATIONS HAVE EXPRESSED STRONG DISAPPROVAL OF THE NEW MEASURES. THE PASOK OPPOSITION, WHICH SEIZES ANY OPPORTUNITY TO CRITICIZE GOVERNMENT POLICIES, ALSO VOICED OBJECTIONS. MCCLOSKEY

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